

**HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2013

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HOPKINTON MUNICIPAL UTILITIES

OFFICIALS

(Before April 1, 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert DeShaw	Chairperson	Mar. 31, 2017
Richard Harris	Vice Chairman	Mar. 31, 2015
Jerry Weber	Director	Mar. 31, 2013
Douglas Melchert	Superintendent	Indefinite
Cynthia Kemp	Board Secretary/Clerk	Indefinite
Chris Lyons	Attorney	Indefinite

(After March 31, 2013)

Robert DeShaw	Chairperson	Mar. 31, 2017
Richard Harris	Vice Chairman	Mar. 31, 2015
James Guthrie	Director	Mar. 31, 2019
Douglas Melchert	Superintendent	Indefinite
Cynthia Kemp	Board Secretary/Clerk	Indefinite
Chris Lyons	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Hopkinton Municipal Utilities:

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities, and each major fund of Hopkinton Municipal Utilities (a component unit of the city of Hopkinton, Iowa), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing the audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of Hopkinton Municipal Utilities as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 11 and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2013 on our consideration of Hopkinton Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Hopkinton Municipal Utilities' internal control over financial reporting and compliance.

Elkader, Iowa

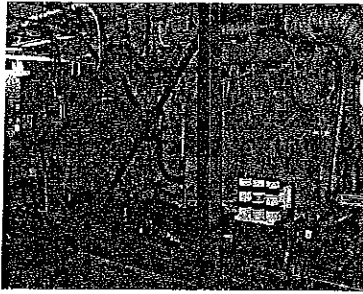
August 16, 2013

Dietz, Donald & Company

Dietz, Donald & Company

Certified Public Accountants

FEIN 42-1172392



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Hopkinton Municipal Utilities (the Utility) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Utility's financial statements which follow.

Since the Utility is not required to be audited, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2013 FINANCIAL HIGHLIGHTS

The Utility's cash basis net position decreased \$ 40,185 to \$ 352,076 during fiscal 2013. The Electric Fund decreased \$ 72,517, while the Water Fund increased \$ 32,332.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the Utility as a whole and presents an overall view of the Utility's finances.

The Fund Financial Statements tell how government services were financed in the short term as well as what remains for future spending. Fund financial statements report the Utility's operations in more detail than the government-wide statement by providing information about the Utility's two funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

BASIS OF ACCOUNTING

The Utility maintains its financial records on the modified cash basis of accounting. However, because the City's financial statements are prepared on the basis of cash receipts and disbursements, the Utility's financial statements have also been prepared on that basis. The cash basis of accounting does not give effect to accounts receivables, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE UTILITIES' FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the Utility's finances is "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the Utility's net position. Over time, increases or decreases in the Utility's net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position includes only business type activities. Business type activities include the waterworks and the electric system. These activities are financed primarily by user charges.

Fund Financial Statement

The Utility has two kinds of funds.

Proprietary funds are used to account for the Utility's Enterprise Funds. Enterprise Funds are used to report business type activities. The Utility maintains two Enterprise Funds to provide separate information for the Water and Electric funds, considered to be major funds of the Utilities.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Fiduciary funds are used to account for the Utility's agency fund. Through this fund the Utility administers and accounts for sales tax collected.

The required financial statements for the fiduciary fund is a Cash Basis Statement of Fiduciary Net Position.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The Utility's cash balance for business type activities decreased approximately 10% from a year ago, decreasing from \$ 392,261 to \$ 352,076.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)

	Year Ended June 30, <u>2013</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 83
Electric	847
General receipts:	
Unrestricted interest on investments	2
City loan repayment	11
Other general receipts	<u>4</u>
Total receipts	<u>947</u>
Disbursements:	
Water	51
Electric	<u>936</u>
Total disbursements	<u>987</u>
Change in cash basis net position	(40)
Cash basis net position beginning of year	<u>392</u>
Cash basis net position end of year	<u>\$ 352</u>

The balance decreased approximately \$ 40,000 from the prior year because of two capital projects in the Electric Fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$ 32,332 to \$ 117,352, due primarily to fund disbursements being less than anticipated.

The Enterprise, Electric Fund cash balance decreased \$ 72,517 to \$ 234,724, due to receipts being less than anticipated.

BUDGETARY HIGHLIGHTS

The Utility's receipts were \$ 73,601 less than budgeted. This was primarily due to the Utility receiving less in electric charges for service than anticipated.

The Utility's disbursements were \$ 29,863 less than budgeted. This was primarily due to the electric substation project coming in approximately \$ 14,000 under budget and water disbursements being approximately \$ 30,000 under budget.

DEBT ADMINISTRATION

At June 30, 2013, the Utility had no long-term debt. The Utility does not anticipate any immediate needs that would require long-term financing.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Hopkinton Municipal Utilities' appointed officials and customers considered many factors when setting the fiscal year 2014 budget and fees that will be charged for various Utility activities. The City's population was 628 in 2010 compared to 681 in 2000 and 800 in 1970. The downward trend is expected to continue. One of the Utility's largest commercial customers has struggled to stay current on their account.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are \$ 835,350, a decrease of 18% under the fiscal year 2013 budget. Electric receipts are budgeted to decrease approximately \$ 126,000, while water receipts are budgeted to increase approximately \$ 12,000. Budgeted disbursements are expected to decrease approximately \$ 181,000, primarily due to no capital projects being scheduled for fiscal year 2014.

If these estimates are realized, the Utility's budgeted cash balance is expected to increase approximately \$ 71,000 by the close of fiscal year 2014.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact: Cynthia Kemp, Utility Board Secretary; 111 First Street SE, P.O. Box 129; Hopkinton, Iowa 52237-0129.

BASIC FINANCIAL STATEMENTS

HOPKINTON MUNICIPAL UTILITIES
 (A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 As of and for the Year Ended June 30, 2013

	Functions/Programs		
	Business Type Activities		
	Water	Electric	Total
Disbursements	\$ (50,710)	(935,874)	(986,584)
Program receipts			
Charges for service	82,673	847,651	930,324
Net (disbursements) receipts	31,963	(88,223)	(56,260)
General receipts:			
Unrestricted interest on investments	369	1,523	1,892
City loan repayment	-	10,558	10,558
Miscellaneous	-	3,625	3,625
Total general receipts	369	15,706	16,075
Change in cash basis net position	32,332	(72,517)	(40,185)
Cash basis net position beginning of year	85,020	307,241	392,261
Cash basis net position end of year	\$ 117,352	234,724	352,076
Cash Basis Net Position:			
Restricted:			
Nonexpendable:			
Meter deposits	\$ -	5,009	5,009
Unrestricted	117,352	229,715	347,067
	\$ 117,352	234,724	352,076

See notes to financial statements.

HOPKINTON MUNICIPAL UTILITIES
 (A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2013

	Enterprise		
	Water	Electric	Total
Operating receipts:			
Charges for service	\$ 82,673	847,651	930,324
Operating disbursements			
Business type activities	49,732	698,511	748,243
Excess of operating receipts over operating disbursements	32,941	149,140	182,081
Non-operating receipts (disbursements)			
Interest on investments	369	1,523	1,892
Miscellaneous	-	3,625	3,625
City loan repayment	-	10,558	10,558
Capital projects	-	(236,343)	(236,343)
Miscellaneous	(978)	(1,020)	(1,998)
Net non-operating receipts (disbursements)	(609)	(221,657)	(222,666)
Excess (deficiency) of receipts over (under) disbursements	32,332	(72,517)	(40,185)
Cash balances beginning of year	85,020	307,241	392,261
Cash balances end of year	<u>\$ 117,352</u>	<u>234,724</u>	<u>352,076</u>
Cash Basis Fund Balances			
Nonspendable			
Meter deposits	\$ -	5,009	5,009
Unrestricted	117,352	229,715	347,067
Total cash basis fund balances	<u>\$ 117,352</u>	<u>234,724</u>	<u>352,076</u>

See notes to financial statements.

HOPKINTON MUNICIPAL UTILITIES
 (A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
 CASH BASIS STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 June 30, 2013

	<u>Agency</u>
ASSETS	
Cash	\$ 546
LIABILITIES	
Due to other governments	<u>546</u>
NET POSITION	<u>\$ -</u>

See notes to financial statements.

**HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

(1) Summary of Significant Accounting Policies

The Hopkinton Municipal Utilities (the Utility) is a component unit of the City of Hopkinton, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utility was established in 1938 by a vote of the City and is governed by a three-member Board of Trustees who are appointed to six-year terms by the Hopkinton City Council. The Hopkinton Municipal Utilities is a public utility providing water and electrical service to the citizens of Hopkinton, Iowa..

A. Reporting Entity

For financial reporting purposes, Hopkinton Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and [1] the ability of the Utility to impose its will on that organization or [2] the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utility. The Utility has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the Utility. For the most part, the effect of interfund activities has been removed from this statement. Activities between the Utility and the primary government (City of Hopkinton) are reported as if they are external transactions and are classified separately from internal activities within the Utility.

The Cash Basis Statement of Activities and Net Position presents the Utility's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the Utility, including the Utility's meter deposits.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a given function. Program receipts include 1] charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2] grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Major individual enterprise funds are reported as separate columns in the fund financial statement.

The Utility reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the Utility's water system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the Utility's electric system.

The Utility also reports a fiduciary fund which focuses on cash basis net position. The Utility's fiduciary fund is an agency fund, which is used to account for assets held by the Utility as an agent for an other government. The Agency fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The Utility maintains its financial records on the modified cash basis of accounting. However, because the City's financial statements are prepared on the basis of cash receipts and disbursements, the Utility's financial statements have also been prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Presentation of Sales Taxes

The State and County impose a sales tax on all of the Utility's sales to non-exempt customers. The Utility collects that sales tax from customers and remits the entire amount to the State. The Utility's accounting policy is to exclude the tax collected and remitted to the State from receipts and disbursements.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash**

The Utility's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

(3) Pension and Retirement Benefits

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Regular plan members are required to contribute 5.78% of their annual covered salary and the Utility is required to contribute 8.67% of covered salary. Contribution requirements are established by state statute. The Utility's contributions to IPERS for the year ended June 30, 2013 were \$ 10,702, equal to the required contributions for the year.

(4) Other Postemployment Benefits (OPEB)

The Utility operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 active and no retired members of the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with True North. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the benefit plan on a pay-as-you-go basis. The most recent active members monthly premiums for Utility and plan members are \$ 466 for single coverage. For the year ended June 30, 2013, the Utility contributed \$ 15,918 to the plan.

(5) Related Party Transactions

The Utility had business transactions between the Utility and Utility officials totaling \$ 5,624

The Utility also provided services to the City totaling \$ 72,720, which included electricity and water sales of \$ 29,536, collection services of \$ 2,520, wastewater treatment plant maintenance agreement payments of \$ 30,000 and receipt of the final loan payment by the City of \$ 10,664.

(6) Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceed commercial insurance coverage in the past fiscal year.

OTHER INFORMATION

HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL PROPRIETARY FUNDS
OTHER INFORMATION
Year Ended June 30, 2013

	Proprietary Funds Actual	Budgeted Amounts	Budgeted Amounts to Actual Variance
Receipts:			
Use of money and property	\$ 1,892	2,220	(328)
Charges for service	930,324	1,002,200	(71,876)
Miscellaneous	3,625	5,020	(1,395)
Total receipts	935,841	1,009,440	(73,599)
Disbursements:			
Business type activities	986,584	1,016,447	29,863
Deficiency of receipts under disbursements	(50,743)	(7,007)	(43,736)
Other financing sources, net	10,558	10,560	(2)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources	(40,185)	3,553	(43,738)
Balances beginning of year	392,261	392,261	-
Balances end of year	<u>\$ 352,076</u>	<u>395,814</u>	<u>(43,738)</u>

See accompanying independent auditor's report and
notes to other information-budgetary reporting.

**HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)**

**NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING
Year Ended June 30, 2013**

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Agency Fund. The approved budget is then presented to the Hopkinton City Council for final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the
Hopkinton Municipal Utilities:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business type activities and each major fund of Hopkinton Municipal Utilities (a component unit of the City of Hopkinton, Iowa) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements and have issued our report thereon dated August 16, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Hopkinton Municipal Utilities' internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hopkinton Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Hopkinton Municipal Utilities' internal control

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Hopkinton Municipal Utilities' financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as I-A-13 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hopkinton Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hopkinton Municipal Utilities' Responses to Findings

Hopkinton Municipal Utilities' responses to findings identified in our audit are described in the accompanying Schedule of Findings. Hopkinton Municipal Utilities' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

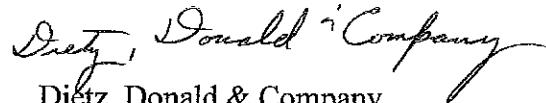
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hopkinton Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

August 16, 2013



Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

- I-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted substantially all accounting functions are performed by one individual.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain maximum internal control under the circumstances. For instance, a Utility official could receive and then review bank statements before giving them to the individual responsible for account reconciliations.

Response - We will consider this.

Conclusion - Response acknowledged. The Utility should segregate duties to the extent possible with existing personnel and utilize appointed officials whenever possible to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
SCHEDULE OF FINDINGS
Year Ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Disbursements - We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No disbursements of Utility money for travel expenses of Utility officials or employees were noted.

II-D-13 Business Transactions - Business transactions between the Utility and Utility officials are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard Harris, Vice Chairperson, Part Owner of Harris Electric Company	Repairs	\$ 5,624

The transactions between the Utility and Harris Electric Service may represent a conflict of interest as the transactions do not appear to meet any of the safe harbor provisions of Chapter 362.5 of the Code of Iowa.

Recommendation - The Utility should consult legal counsel to determine the disposition of this matter.

Response - We will follow up on this matter.

Conclusion -Response accepted

II-E-13 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-13 Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.

HOPKINTON MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF HOPKINTON, IOWA)
SCHEDULE OF FINDINGS
Year Ended June 30, 2013

- II-G-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy were noted.